IN THE HIGH COURT OF KERALA AT ERNAKULAM

PRESENT:

THE HONOURABLE MR.JUSTICE K.VINOD CHANDRAN

MONDAY, THE 20TH DAY OF JULY 2015/29TH ASHADHA, 1937

WP(C).No. 19338 of 2015 (N)

PETITIONER(S):

M/S.FERTILIZERS AND CHEMICALS TRAVANCORE LTD.,
ELOORM, UDYOGAMANDAL 683 501,
REPRESENTED BY ITS GENERAL MANAGER (FINANCE),
MR. SREENATH V. KAMATH.

BY ADVS.SRI.M.GOPIKRISHNAN NAMBIAR
SRI.P.GOPINATH
SRI.P.BENNY THOMAS
SRI.K.JOHN MATHAI
SRI.JOSON MANAVALAN
SRI.KURYAN THOMAS

RESPONDENT(S):
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1. **THE SECURITIES AND EXCHANGE BOARD OF INDIA,**
   SEBI BHAVAN, PLOT NO C4-A, G BLOCK,
   BANDRA, KURLA COMPLEX, BANDRA (EAST),
   MUMBAI - 400 051, REPRESENTED BY ITS CHAIRMAN.

2. **NATIONAL STOCK EXCHANGE OF INDIA LTD.,**
   EXCHANGE PLAZA, PLOT, NO .C/1,
   G BLOCK, BANDRA, KURLA COMPLEX,
   BANDRA (EAST), MUMBAI - 400 051,
   REPRESENTED BY ITS CHAIRMAN.

BY ADV. SRI.K.M.JAMALUDHEEN

THIS WRIT PETITION (CIVIL) HAVING COME UP FOR ADMISSION ON 20-07-2015, THE COURT ON THE SAME DAY DELIVERED THE FOLLOWING:

msv/

WP(C).No. 19338 of 2015 (N)

APPENDIX

PETITIONER(S)' EXHIBITS

EXT.P1: ATRUE COPY CIRCULAR NO. CIR/CFD/DIL/7/2012 DATED 13/8/2012 ISSUED BY THE 1ST RESPONDENT.

EXT.P2: ATRUE COPY OF THE RELEVANT PAGES OF THE ANNUAL REPORT OF THE PETITIONER FOR THE YEAR 2012-13.

EXT.P3: ATRUE COPY OF THE COMMUNICATION DATED 09/5/2014 ISSUED TO THE PETITIONER BY THE 1ST RESPONDENT.

EXT.P4: ATRUE COPY OF THE REPLY DATED 21/5/2014 SUBMITTED BY THE PETITIONER BEFORE THE SECRETARY , FRRB.

EXT.P5: TRUE COPY OF THE COMMUNICATION DATED 30/10/2014 ISSUED TO THE\ PETITIONER BY THE 2ND RESPONDENT.

EXT.P6: TRUE COPY OF THE REPLY DATED 9/10/2014 ISSUED TO THE PETITIONER BY THE 2ND RESPONDENT.

EXT,P7; TRUE COPY OF THE WRITTEN SUBMISSIONS DATED 9/1/2015 (WITHOUT ANNEXURES) SUBMITTED BY THE PETITIONER BEFORE THE 1ST RESPONDENT.

EXT.P8: TRUE COPY OF THE COMMUNICATION DATED 27/4/2015 ISSUED TO THE PETITIONER BY THE 1ST RESPONDENT.

EXT.P9: TRUE COPY OF THE RELEVANT PORTION OF THE ACCOUNTING STANDARDS (AS)-2.

EXT.P10: TRUE COPY OF THE GYPSUM VALUATION FIXED BY THE PETITIONER ALONG WITH ITS ANNEXURES.

RESPONDENT(S)' EXHIBITS:

EXT.R1(a): TRUE COPY OF THE OPINION OF THE FINANCIAL REPORTING REVIEW BOARD.

//TRUE COPY//

P.S.TO JUDGE

Msv/

K. VINOD CHANDRAN, J.

W.P.(C) No. 19338 of 2015 (N)

Dated this the 20th day of July, 2015

J U D G M E N T

The petitioner is aggrieved with Ext.P8 order passed under Ext.P1 circular. The circular is with respect to monitoring of audit qualifications of the listed Companies as per the Equity Listing Agreement entered into between the Stock Exchange and the Company.

2. The audit qualifications are reported to the Securities and Exchange Board of India (SEBI) by the Company, which is referred to a Qualified Audit Review Committee (QARC) as constituted by the SEBI. The QARC may direct the SEBI to either ignore the qualification, if it is not significant, or may suggest the rectification of such qualification. The QARC, in arriving at such a decision, may also seek the advice of the Financial Reporting Review Board of Institute of Chartered Accountants of India (ICAI - FRRB).

3. In the present case, when the audit qualification was reported, which, according to the Company, is not significant, the SEBI referred it to the QARC. The Company is also said to have filed detailed objections before the QARC. The SEBI, in its counter affidavit, contends that the audit qualification was considered to be of some significance and opinion was called for from the ICAI-FRRB. The FRRB's opinion is also produced at Ext.R1(a).

4. However, Ext.P8 does not disclose any consideration of the objections raised by the petitioner as pitted against the recommendation of the ICAI-FRRB. The petitioner is also said to have been granted a hearing. In such circumstance, it is only proper that the SEBI pass a detailed order considering the objections and clearly disclosing as to why it considers the audit qualification to be significant. In fact, the significance of the audit qualification is something which the QARC has to enter a satisfaction on, before an order is passed by the SEBI.

5. Hence, Ext.P8 would stand set aside. The order of the QARC, if any, shall be communicated to the petitioner and the petitioner shall be heard by the SEBI and orders passed clearly showing the reasons for ordering a re-statement of accounts.

Writ petition stands disposed of making it clear that this Court has not observed anything on the merits of the case.

Sd/-
K.VINOD CHANDRAN,
JUDGE

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